

Message Text

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INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 4343

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

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E.O. 11652: N/A

TAGS: ECON, HU

SUBJ: PRIME MINISTER LAZAR DELIVERS MAJOR ADDRESS ON HUNGARY'S
ECONOMY TO PARLIAMENT AND OUTLINES NEXT FIVE-YEAR PLAN

REFS: A. FBIS LONDON 251905Z SEP 75 (LAZAR SPEECH)
AND FOLLOWING

SR B. BUDAPEST 2714

C. BUDAPEST 3137

D. BUDAPEST 3148/&

1. SUMMARY: IN HOUR-LONG ADDRESS TO PARLIAMENT SEPT 25

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PRIMIN GYORGY LAZAR REVIEWED 1974 ECONOMIC ACCOMPLISHMENTS

IN CONTEXT OF 1971-75 FIVE-YEAR PLAN. TURNING TO FUTURE, HE WARNED THAT INCREASE IN REAL WAGES WILL SLOW, CONSUMER PRICES WILL INCREASE, AND INVESTMENTS WILL LESSEN. PRIME MINISTER EMPHASIZED NEED FOR BETTER MANAGEMENT AND INCREASED LABOR PRODUCTIVITY; AND HE TOUCHED ON NECESSITY FOR CHANGES IN ECONOMIC REGULATORS. END SUMMARY.

2. KEYNOTING AUTUMN SESSION OF HUNGARIAN PARLIAMENT, PRIME MINISTER LAZAR DELIVERED LENGTHY SPEECH SUMMARIZING 1974 ECONOMIC RESULTS IN CONTEXT CURRENT FIVE-YEAR PLAN AND HINTING AT CONTENTS OF SOON-TO-BE-RELEASED 1976-80 FIVE-YEAR PLAN. HIS REVIEW OF PAST PERFORMANCE REVEALED LITTLE; BUT HIS STATEMENT ABOUT FUTURE IS REVELATORY.

3. IN REVIEWING PAST ACCOMPLISHMENTS, LAZAR SAID:
(A) AGRICULTURAL PRODUCTION HAD EXCEEDED EXPECTATIONS IN CURRENT FIVE-YEAR PLAN; (B) EFFORTS TO RAISE LIVING STANDARDS HAD SCORED NOTABLE SUCCESS; (C) HUNGARY'S COMPLETION OF EIGHT HOUSING UNITS PER 1,000 POPULATION COMPARES FAVORABLY WITH CONSTRUCTION LEVEL IN WESTERN EUROPE; AND (D) THE GOVERNMENT PRIDED SELF ON HAVING ASSISTED SIGNIFICANTLY LARGER NUMBER OF CHILDREN OF MANUAL WORKERS TO ATTAIN AND OBTAIN HIGHER EDUCATION.

4. ON DEBIT SIDE, PRIME MINISTER SAID (A) HOUSING SITUATION STILL UNSATISFACTORY; (B) HUNGARY HAS MANY WASTED ASSETS AND UNEXPLOITED RESERVES; (C) THE PRODUCTION STRUCTURE HAD NOT MODERNIZED ITSELF RAPIDLY ENOUGH; (D) THE HUNGARIAN ECONOMIC SYSTEM HAS REACTED SLUGGISHLY TO MAJOR CHANGES IN THE WORLD ECONOMIC SITUATION, WITH THE RESULT THAT THE STATE HAD FOUND ITSELF FORCED TO ABSORB ASSESSED COSTS

ARISING FROM HIGHER WORLD MARKET PRICES; HE ALSO ALLUDED TO THE INCREASED PRICES IN INTER-CEMA TRADE.

5. LOOKING TO THE FUTURE, LAZAR CALLED FOR MORE EFFICIENT ECONOMIC MANAGEMENT, ESPECIALLY BY THE COUNCIL OF MINISTERS. PRIME MINISTER EMPHASIZED THAT HUNGARY HAD EXHAUSTED ITS POSSIBILITIES FOR EXTENSIVE DEVELOPMENT; TURURE PRODUCTION LIMITED OFFICIAL USE

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INCREASES MUST COME FROM MORE INTENSIVE UTILIZATION OF RESOURCES, AND ESPECIALLY FROM INCREASES IN LABOR PRODUCTIVITY. HE STATED THAT THERE IS NO NEED TO CHANGE BASIC PRINCIPLES OF ECONOMIC MANAGEMENT, BUT THAT IT IS NECESSARY TO ADJUST THE REGULATORS TO CURRENT CONDITIONS AND TO RECENTRALIZE ENTERPRISE INCOME ACCUMULATED IN THE PAST. PRIME MINISTER SAID: (QUOTE) WE WANT TO ENFORCE MORE RESOLUTELY THE CENTRAL DECISIONS, BUT IT IS NOT OUR AIM

TO OVERREGULATE. WE ARE COUNTING ON THE WORK OF ENTER-
PRISES AND OF MANAGERS ENDOWED WITH A CONSIDERABLE AMOUNT
OF IMAGINATION. WE COUNT ON THEIR INITIATIVE BECAUSE WE
BELIEVE THAT THAT IS A PRECONDITION RATHER THAN A HINDRANCE
FOR THE ASSERTION OF SOCIAL INTERESTS ON A BROADER SCALE.
CENTRAL MANAGEMENT CAN ONLY BE TRULY EFFECTIVE IF IT
HELPS TO BRING INTO PLAY AND DIRECT TOWARD THE PROPER

CHANNELS LOCAL INITIATIVE AND INDEPENDENT ACTIVITY. (END QUOTE)

6. PRIME MINISTER PREDICTED THAT THE "CAPITALIST CRISIS"
WOULD CONTINUE; THAT IN FUTURE HUNGARY WOULD RELY MORE
ON SOCIALIST INTEGRATION; AND THAT HUNGARY CAN DEPEND
ON SOVIET UNION FOR ASSISTANCE.

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7. LAZAR ANNOUNCED THAT GOH WILL SUBMIT DRAFT FOR THE FIFTH FIVE-YEAR PLAN TO PARLIAMENT WITHIN A FEW MONTHS. PLAN WILL INCLUDE:

(A) CENTRAL TASK OF ECONOMIC POLICY CONTINUES TO BE IMPROVEMENT OF EXPORT CAPABILITIES OF GOODS THAT CAN BE SOLD IN ALL MARKETS;

(B) SEVERE MANPOWER SHORTAGE EXISTS; BETWEEN 1976-1980 THE SITUATION WILL WORSEN. SPECIFIC PROGRAMS WILL BE OUTLINED TO INCREASE THE MANAGEMENT OF MANPOWER;

(C) THE 50 PERCENT INVESTMENT GROWTH OF THE PREVIOUS FIVE-YEAR PLAN WILL BE HALVED -- TO 25 PERCENT. THE GOVERNMENT WILL AIM FOR 5.5 PERCENT-6 PERCENT GROWTH IN LIMITED OFFICIAL USE

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GNP. DOMESTIC CONSUMPTION WILL RISE 4.5 PERCENT AT MOST, AND IN NEXT TWO YEARS INCREASE IN REAL INCOME WILL BE EVEN LOWER. (COMMENT: SENIOR ECONOMIST AT HUNGARIAN NATIONAL BANK HAS TOLD EMBOFF THAT GOH WOULD LIKE TO HOLD THIS INCREASE DOWN TO 1.5 PERCENT PER YEAR; BUT THAT THIS GOAL PROBABLY UNATTAINABLE FOR DOMESTIC POLITICAL REASONS.) PRIME MINISTER SAID (QUOTE) DURING THE NEXT FIVE-YEAR PLAN PERIOD, AND PARTICULARLY DURING ITS INITIAL YEARS, WE CANNOT ALLOCATE THE WHOLE OF THE NATIONAL INCOME PRODUCED TO ACCUMULATION AND CONSUMPTION. INSTEAD, A CALCULATED PORTION OF IT MUST BE USED TO COUNTER WORSENING EXCHANGE RATIOS; (END QUOTE)

(D) MORE INTENSIVE USE OF COAL FOR ENERGY GENERATION IS PLANNED, IN ADDITION TO EXPANSION OF THE NUCLEAR POWER FACILITY PRESENTLY UNDER CONSTRUCTION; PETROLEUM WILL BE USED FOR PRODUCTION OF FUEL AND CHEMICALS;

(E) GOH WILL HAVE TO INCREASE CONSUMER PRICES;

(F) MORE ATTENTION WILL BE GIVEN TO FACTORY AND COOPERATIVE DEMOCRACY;

(G) GOH WILL EMPHASIZE MODERNIZATION OF FACILITIES FOR THE PRODUCTION OF ROLLED STEEL, PVC, POLYPROPYLENE, SYNTHETIC FIBERS, AND CHEMICALS FOR AGRICULTURAL USE;

(H) GOH WILL MORE INTENSIVELY DEVELOP PRODUCTION OF VEHICLES, MACHINE TOOLS, COMPUTERIZATION MEANS, ELECTRONIC COMPONENTS, AUTOMATION MEANS, TELECOMMUNICATIONS SYSTEMS, TECHNICAL VACUUM PRODUCTS, AND ROLLER BEARINGS;

(I) IN AGRICULTURE, GOH WILL PROMOTE DEVELOPMENT OF THE MEAT INDUSTRY, INCREASE STORAGE CAPABILITIES, AND PROVIDE MORE ASSISTANCE FOR PRIVATE FARMS.

8. PRIME MINISTER LAZAR TOUCHED ONLY BRIEFLY ON FOREIGN POLICY; FOREIGN MINISTER PUJA DELIVERED SPEECH TO PARLIAMENT FOLLOWING DAY (SEE SEPTTEL).

9. COMMENT: MOST OF THESE POLICY GOALS FOR THE NEXT FIVE-YEAR PLAN HAVE SURFACED IN RECENT MONTHS, BUT THIS ADDRESS CONSTITUTES FIRST MAJOR STATEMENT BY PRIME MINISTER ON SHAPE OF THE FIFTH FIVE-YEAR PLAN. MORE THAN LIKELY GOH WILL NOW DELAY 1976 BUDGET FIGURES WHILE BUDAPEST BUREAUCRATS WRANGLE OVER FINAL FORM AND EXACT NUMBERS. LAZAR'S STATEMENTS CONCERNING THE FUNCTIONING LIMITED OFFICIAL USE

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OF THE ECONOMIC SYSTEM BEAR OUT EARLIER REPORTING (REFTELS C AND D). BUT THIS PUBLIC AND AUTHORITATIVE WARNING BY PRIME MINISTER LAZAR HIMSELF -- THAT CONSUMER PRICES WILL CLIMB AND THAT THE RISE IN REAL INCOME WILL DECREASE IT IS ONLY THE LATEST IN A SERIES OF GOVERNMENT MOVES TO PREPARE HUNGARY'S AVID CONSUMERS FOR LESS GOULASH. MCAULIFFE

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